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IN THE

Supreme Court of the United States

OCTOBER TERM, 1948.

No. 304

PAPER CONTAINER MFG. COMPANY,
Petitioner,

v.

DIXIE CUP COMPANY,
Respondent.

PETITION OF PAPER CONTAINER MFG. COMPANY FOR A WRIT OF CERTIORARI TO THE COURT OF APPEALS FOR THE SEVENTH CIRCUIT, AND BRIEF IN SUPPORT THEREOF.

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No.

PAPER CONTAINER MFG. COMPANY,
Petitioner,

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DIXIE CUP COMPANY,
Respondent.

PETITION FOR A WRIT OF CERTIORARI.

To the Honorable, the Chief Justice and Associate Justices of the United States:

Your Petitioner, Paper Container Manufacturing Company, respectfully prays for a writ of certiorari to the United States Court of Appeals for the Seventh Circuit to review the judgment entered by that Court on June 10, 1949 (R. 93) affirming the judgment of the District Court denying to Petitioner any award of master's fees, attorney's fees, court reporter's charges, and costs (approaching in total $200,000) incurred by the Petitioner in patent infringement litigation instituted by the Respondent (Rec. 67 to 69).

A Short Statement of the Case.

This suit began on February 11, 1939 (1 P. R. 2)* when complaint alleging infringement of eleven patents was filed by Respondent. Three more patents were thereafter added by amendment (1 P. R. 85). Answer was filed as to each of the fourteen patents and the seventy claims specified as infringed. Before trial, charges were voluntarily dropped as to all but four patents and twenty-six claims.

The four remaining patents were held valid and infringed on March 14, 1942 (2 P. R. 760). Among these patents was Smith and Bild patent 2,203,510, covering a paper cup making machine, the only patent that survived into the five-year accounting. To secure the decision as to this machine, Respondent had repeatedly stressed the feature of cutting a moving strip of paper completely across to define paper cup blanks, a detailed improvement which alone saved the patent. For example, Respondent's expert stated:

> "Through this we will see that the continuously operating feeding and forming mechanism which, as explained, are all tied together through the gears, advances a strip of paper under a knife which cuts clear across and cuts a strip which the patent explains goes clear across—I mean, makes a cut which the patent explains goes clear across in a line generally transversely and other than straight." (1 P. R. 202).
>
> "Now, this specification explains that in the making of this cup the action of the knife on this tip is to cut completely across the strip. * * *" (1 P. R. 203).

---

*The original printed record on Appeal 7972 to the Court of Appeals for the Seventh Circuit is referred to herein by the letters "P. R.", together with the volume and page. This record is before this Court as No. 505, October Term, 1942. The present record is referred to by the letters "Rec."

The District Court sustained this position and gave judgment for the Respondent.

Appeal was taken to the Court of Appeals for the Seventh Circuit (Appeal No. 7972). That Court reversed the District Court as to three of the four patents, and held that only four claims of the Smith and Bild patent were infringed. On the appeal Respondent defined the invention as demanding the feature of cutting off the end of the moving paper strip, stating:

> "In giving the following quite condensed analysis of the inventions of Smith & Bild which are involved in this suit, we have endeavored to refer to the structural features and operations which are involved in the claims of this patent which are in suit.
>
> "The essence of the Smith and Bild patented improvements can properly be described as a machine wherein feeding means continuously feed or advance a strip of paper stock toward a forming element shaped to have a conical cup formed therearound, cutting means acting prior to the start of the forming operation to successively sever blanks from the continuously moving strip **by repeatedly cutting off the leading end of the strip** * * *." (Brief Appeal No. 7972, pp. 50-51) (Emphasis added).

The case was thereafter remanded to the District Court, which referred it to a master for accounting under the single surviving patent. Early in the accounting two additional types of machines were charged with infringement of the Smith and Bild patent (Rec. 24). One type of machine had been in use by Petitioner for a year and a half before the original trial and Respondent had notice of that fact long before trial (Rec. 22, 23). The other additional type of machine consisted of the originally accused machines modified immediately after the finding of infringement to avoid the feature of repeatedly cutting off the end of the strip, the feature which alone

conferred patentability upon the claims, and the feature relied upon by Respondent in the Patent Office, the District Court, and the Court of Appeals to save the patent. It was later determined that neither group of machines infringed the Smith and Bild patent.

Neither of the additional machines employed this feature previously characterized by Respondent as the essence of the Smith and Bild invention. Consequently, Respondent was compelled to, and did, take a position contrary to its previous representations to the Patent Office and to the courts and adopt a new and broader theory of the scope of the patent in order to justify the new charge.

Petitioner promptly filed a petition for a declaration of non-infringement by the additional machines (Rec. 24). The purpose of this petition was to avoid a needless accounting as to non-infringing machines. Respondent replied to this petition by a motion to dismiss stating that there were "proper ways" to determine whether the new machines should be included in the accounting and on the next day filed a motion to punish Petitioner for contempt. In the motion to punish, Respondent asserted that Petitioner could not contest the question of infringement (Rec. 24, 88-89).

The matters of the petition and motion came before the District Court on April 21, 1943. He referred the entire matter to the master.

On November 27, 1944, the master filed a draft report. In this report he recommended an injunction and an order of accounting with respect to the additional machines. However, he did not propose to proceed with an accounting as to these machines until the matter of infringement was settled by the District Court.

On October 9, 1944, Respondent filed suggestions regarding the master's draft report, objecting to a determination of the infringement issue before proceeding with the accounting. In the objections Respondent stated:

> "• • • We suggest that the Master should not await the entry of any order by the court but should proceed, in accordance with the findings in his report, to order the defendant to prepare and state an account consistent with the views expressed by the Master and that the entry of said order should not be conditioned upon further action by the court. • • •" (para. 3).

On January 15, 1945, the date set for argument on the draft report, the District Court refused to hear arguments and, following Respondent's suggestion, referred the case back to the master for further evidence on all issues.

Petitioner promptly commenced work on the accounting statement covering the additional machines and on April 23, 1945, submitted it to the master (Rec. 25). There followed a prolonged dispute concerning the authenticity of the statement and repeated demands by Respondent for further itemization. Finally, Petitioner was forced to list individual orders and purchases by name of customer or supplier, date, type of cups, number of cups, and price paid. Auditor's fees paid by Petitioner for preparation of the bulky volumes containing this information totalled $9,634.70 (Rec. 63, 10).

The additional accounting breakdowns furnished by the Petitioner were never used. They did not affect the ultimate accounting award which was made on the basis of reasonable royalties rather than profits.

The District Court entered a judgment in favor of Respondent on January 20, 1948. This judgment con-

firmed the master's finding that the additional machines infringed Smith and Bild. The judgment carried an award in the amount of $2,184,380.24. (The interest and accumulating liability was further accruing at the rate of $20,000 a month). The judgment was arrived at by trebling the actual damages computed on the basis of Petitioner's net sales of paper cups and adding the master's fees, court reporter charges, and Respondent's attorney fees, the latter amount alone exceeding $71,000 (169 F. (2d) 645 *et seq.*) Most of this liability arose from respondent's new construction of its patent.

On appeal from the accounting decision, the Court of Appeals held that the Smith and Bild patent could not be construed as Respondent newly contended to cover the new machines but had to be limited as Respondent had limited it in the Patent Office. The court accordingly found no infringement by these machines (169 F. (2d) 645). This decision rendered fruitless the 5 year period of litigation subsequent to Petitioner's petition for a judgment of non-infringement over five years earlier and vindicated Petitioner's original contentions.

The Court of Appeals decision reduced the accounting award by over two million dollars, leaving only the sum of $154,027.17 this being the award for infringement by the machines initially involved in the suit, machines discontinued in use in 1942 (Rec. 19). The Court specifically left open the question of what, if any, master's fees, attorney's fees, court reporter's charges, and costs should be allowed either party.

The prolonged accounting progressively reduced Petitioner's resources. Petitioner's expenses included $1,512.90 court reporter's charges, $9,634.70 auditor's expenses, $152,274.59 attorney's fees, and $12,500 master's fees (half of the total of $25,000). By the time the Dis-

trict Court handed down its two million dollar judgment of infringement, it was impossible for Petitioner to raise the money necessary to print the 5,000 page record or to file the requisite supersedeas bond. Only the generosity of the Court of Appeals in waiving these requirements made appeal possible.

After the second appeal, the case was again remanded to the District Court. Petitioner then sought recovery of ninety per cent of its master's fees, court reporter's charges, attorney's fees, totalling $166,287.49 and costs. This percentage approximated the portion of the expenses definitely attributable to the change in Respondent's interpretation of its patent to cover the two additional types of machines. It also approximated the percentage by which the Court of Appeals reduced the District Court judgment. The District Court denied this request, possibly to achieve consistency with its second reference of the case to the master as to the additional machines. The Court of Appeals affirmed. No costs were awarded either party and Petitioner was thus forced to assume the burden of a five-year accounting contest over infringements that had never occurred, and the preceding five-year litigation instituted under fourteen patents with only one surviving.

Jurisdiction.

The jurisdiction of this Court is invoked under Section 1254 (1), Title 28, United States Code.

The judgment of the Court of Appeals was entered June 10, 1949 (Rec. 93).

Opinion Below.

The opinion of the Court of Appeals appears in the Record at pages 88 to 92, inclusive, reported at 174 F. (2d) 834.

The District Court entered judgment without opinion (Rec. 67-69).

Other opinions in the litigation appear under the title of this case at 130 F. (2d) 569 and 169 F. (2d) 645.

Questions Presented.

1. May a Court, without abusing its discretion, permit a patent owner to file on fourteen patents, conduct a five-year litigation on four of them with only one surviving, and then conduct a further five-year accounting, nine-tenths devoted to non-infringing machines, after all infringement had ceased and then deny the harassed defendant all costs, attorneys' fees, master's fees, etc. incurred in the futile proceedings?

2. May a Court, without abusing its discretion, deny to the defendant in a patent infringement action the master's fees, attorneys' fees, court reporter's charges and costs associated with a ten-year patent infringement litigation wherein:

a. Infringement was charged and answer made as to fourteen patents and over 70 claims, but the charges were withdrawn as to all but four patents and on appeal only four claims of one patent were held infringed;

b. When the matter was referred to the master for accounting, the patentee promptly claimed that machines not previously involved in the litigation infringed the single patent left in the case;

c. The additional machines brought into the case by the charge made in the accounting were in use by the defendant prior to the original trial of the cause and the plaintiff knew of such use;

d. Plaintiff, in order to obtain the patent from the Patent Office and to prevail at the trial and on the subsequent appeal, had made representations to the Patent Office and the courts inconsistent with its subsequent charge of infringement first made before the master as to the additional machines;

e. Plaintiff insisted upon an accounting as to the additional machines before an adjudication of infringement;

f. The charge of infringement as to the additional machines was clearly barred by a file wrapper estoppel, as the Court of Appeals subsequently held (169 F. (2d) 645, 648, C. A. 7, 1948);

g. Plaintiff unduly prolonged the accounting and caused excessive expenses to defendant by refusing to accept defendant's accounting statements and demanding an impractical and unrealistic invoice-by-invoice breakdown of many thousand sales and purchases, resulting in voluminous detailed schedules that were never thereafter used and did not in any way influence the outcome of the litigation except to increase the expenses of the defendant?

3. Where in a patent infringement accounting, the defendant supplies an accounting statement giving the net sales and other figures ultimately used to determine liability and the patentee insists upon detailed schedules

of sales and purchases itemized by individual transactions and the detailed schedules do not affect the ultimate liability and are not thereafter used by the plaintiff, did the trial court abuse its discretion in refusing to award to the accused infringer the amount of its out-of-pocket expenses occasioned by the unnecessary schedules?

Reasons Relied on for Allowance of the Writ.

The discretionary power of this Court to grant a writ of certiorari is invoked upon the following grounds:

1. The decision of the Court of Appeals denying any award of the master's fees, attorney's fees, court reporter's charges, or costs occasioned by Respondent's abuse of Letters Patent, encourages and promotes like abuse of Letters Patent by permitting patentees to bring unjustified patent infringement proceedings for the purpose of harassing competitors and neutralizing their competition by process of attrition, without risk of a money judgment for the damages inevitably inflicted by these acts.

2. Section 4921 R.S. (as amended August 1, 1946) displays a clear public policy that the owner of a patent may not use the patent as an instrument of oppression and that attorney's fees and other expenses so incurred should be awarded to the prevailing party in a patent infringement action brought and conducted with the object and purpose of oppression. The decision of the Court of Appeals contravenes this public policy.

3. The question presented by this petition is an important question, not previously passed upon by this Court, in relation to the Constitutional purpose of the patent grant in promoting "the progress of science and

useful arts" (U.S. Constitution, Art. 1, Sec. 8). The decision of the Court of Appeals encourages patentees to prostitute Letters Patent to a purpose foreign to and inconsistent with the Constitutional objective.

4. "• • • The possession and assertion of patent rights are 'issues of great moment to the public.' (citing cases) A patent by its very nature is affected with a public interest. • • • The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope. • • •" *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Machinery Co.*, 324 U. S. 806, 815 (1944).

Wherefore, your Petitioner prays that this petition be granted and that a writ of certiorari be issued to the Court of Appeals for the Seventh Circuit.

Respectfully submitted,

FRANKLIN M. WARDEN,
JAMES C. LEATON,
CASPER W. OOMS,
Attorneys for Petitioner.

Chicago, August 26, 1949.

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1948.

No.

PAPER CONTAINER MFG. COMPANY,
Petitioner,

v.

DIXIE CUP COMPANY,
Respondent.

BRIEF IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI.

United States Letters Patent Is a Privilege Conditioned By a Public Purpose—That Purpose Is Defeated When a Patent Is Used as an Instrument of Oppression, to Neutralize Competition, or as an Instrument of Judicial Harassment.

The sovereign grant of a patent monopoly necessarily invests the patentee with a commercial weapon of incalculable economic potency. The grant must carry with this power the obligation to exercise it with due regard to the public trust implied, with recognition of its clear limitations, and with the resultant caution that the possession of this power demands.

In the series of patent misuse decisions commencing with *Motion Picture Patents Co.* v. *Universal Film Manufacturing Co.*, 243 U. S. 502 (1917) and extending through *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U. S. 661 (1944), this Court has confined the monopoly of United States Letters Patent to the precise scope of the claim language. This Court has aptly observed that:

> "The grant of a patent is the grant of a special privilege 'to promote the Progress of Science, and useful Arts.' Const., Art. 1, § 8. It carries, of course, a right to be free from competition in the practice of the invention. But the limits of the patent are narrowly and strictly confined to the precise terms of the grant. (citing cases). It is the public interest which is dominant in the patent system. (citing cases). It is the protection of the public in a system of free enterprise which alike nullifies a patent where any part of it is invalid (citing cases) and denies to the patentee after issuance the power to use it in such a way as to acquire a monopoly which is not plainly within the terms of the grant. • • • The patent is a privilege. But it is a privilege which is conditioned by a public purpose.•••" (*Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U.S. 661 at p. 665, 1944).

In the patent misuse decisions, this Court has denied relief to a patentee who attempts to expand his patent rights to effect a monopoly over subject matter not within the scope of the grant. Even relief for direct infringement of the patent has been denied because:

> "• • • Where the patent is used as a means of restraining competition with the patentee's sale of an unpatented product, the successful prosecution of an infringement suit even against one who is not a competitor in such sale is a powerful aid to the maintenance of the attempted monopoly of the unpatented article, and is thus a contributing factor

in thwarting the public policy underlying the grant of patent. * * *" *Morton Salt Co.* v. *Suppiger*, 314 U.S. 488, 493 (1942).

This Court has exhibited like concern for the public interest inherent in patent litigation by insisting that Letters Patent spring from backgrounds free from fraud and that their enforcement not be tainted by fraud. *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Machinery Co.*, 324 U. S. 806 (1944); *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240 (1933).

However, in no case has this Court passed upon or stated the like principle that must be applied to misuse of Letters Patent by abuse of the judicial process involved in the indiscreet and malevolent assertion of patent rights.

The impact of the condemned restraints is rarely as direct or the incidence of suppression of competition as extensive as the results that attend indiscriminate assertion of patent rights in baseless litigation or in the burdens that can be inflicted by a patentee upon an adjudicated infringer in the guise of an accounting proceeding.

The record of the present case vividly displays an effort to use Letters Patent to accomplish a monopoly not intended by the grant. This effort was no less prejudicial to the public interest than the efforts this Court has condemned. Only in the manner of impact of the asserted patent right does this case differ from the prior decisions. Herein lies the need for a decision by this Court. The public interest is no less prejudiced because the means adopted by the Respondent differ from the means heretofore passed upon.

Respondent's technique of neutralizing competition by oppressive patent infringement litigation is not novel.

One student of the patent system, reviewing the practices of the Hartford-Empire Company, declared:

> "Next a blitzkrieg was directed against the independents. They were harassed with suits for infringement, which kept them occupied, drained their resources, disorganized their markets. In the end they had to capitulate and accept the settlement dictated by the alliance. Their patents—not yet invalidated by litigation—were taken over by Hartford. • • • In instances, the threat of a bout at law was enough; in others, independents or their customers had to have their days in court before they were willing to capitulate." (Hamilton, T.N.E.C. Monograph No. 31, p. 111).

See also the opinion of Judge Kloeb in *U. S.* v. *Hartford-Empire Co.*, 46 F. Supp. 541, 565 (1942).

The present case displays clearly the adverse effect on competition incident to misuse of the judicial process in connection with a patent infringement suit. A decade ago, when this litigation commenced, Petitioner was an infant organization starting in business and Respondent was a mature, well-established organization with substantial resources. Petitioner was met by a formidable patent infringement charge and was forced to withstand the expense of marshalling defenses as to fourteen patents, only to have Respondent later withdraw as to all but four.

When the scope of the patent was finally defined in the first Court of Appeals decision, Respondent changed its tactics and insisted on a new patent infringement charge. The tactical device of bringing the charge initially in the accounting, although Respondent knew of the newly accused machines before the first trial, together with subsequent legal maneuvering, ultimately forced Petitioner to go through a complete accounting before its

defense of no infringement—a defense clearly available in view of the Patent Office proceedings and Respondent's own definition there and in court of the asserted invention—was vindicated. During the course of this five-year accounting, demands by the Respondent for unnecessary material further exhausted the resources of the struggling Petitioner.

When the District Court entered its final erroneous judgment for over two million dollars, Petitioner was financially prostrate. The decade of litigation for the right to compete as to subject matter in the public domain seemed futile. Only because the Court of Appeals waived the usual formalities was it possible to appeal that erroneous decision and secure the right to compete.

How do the rules as to patentability and infringement protect the public interest when the judicial process can be abused to preclude the accused infringer from raising these issues before its resources are exhausted?

The Public Policy Is Clear That Accounting Proceedings Must Follow, Not Precede, Patent Infringement Decisions.

The patent infringement statute under which this suit was brought specifically recites that an accounting of profits should follow, not precede, a finding of infringement. This is evident from the following language:

> "The several courts * * * shall have power to grant injunctions according to the course and principles of courts of equity * * * and upon a decree being rendered in any such case for an infringement the complainant shall be entitled to recover * * * profits to be accounted for by the defendant. * * *" (Sec. 4921 R. S., 35 U. S. C. 70, prior to 1946 amendment.)

This statutory language leaves no room for doubt—accounting is to *follow*, not precede, determination of validity and infringement.

In *Cover* v. *Chicago Eye Shield Co.*, 136 F. (2d) 374, 375 (C.A. 7, 1943) the court declared:

> "For many years it has been the custom or rule of all district courts in the trial of patent cases to first have a separate hearing on the question of validity and infringement and never to go into a question of accounting until the questions of validity and infringement have been determined. This has been the practice in which the patent bar generally has willingly acquiesced and approved. In most cases the accounting is a laborious and very expensive procedure. Of course, in the absence of validity and infringement, there could never be any use for an accounting. We think this view has been generally accepted by the patent bar and all federal courts.
>
> "Appellant, however, urges that a contrary practice would produce better results, and his main contention is that the law permits only one trial of all the issues raised in a suit and this cannot be divided into more than one trial. Such procedure might perhaps be of more benefit to one who charges infringement, but it seems to us that it would place the defendant at a decided disadvantage. * * *"

In the present case the procedure followed was contrary to the statute and to the decisions. It imposed upon Respondent the heavy financial burdens here sought to be recovered. It was almost successful in giving to Respondent a monopoly not covered by its patent. Common justice and the public interest dictate that the Respondent be held responsible for these expenses.

Unfortunately the immeasurable damage inflicted upon a business during the years of litigation, the deprivation of officers' time and energies, etc., must remain incom-

pensable. To the extent that the injustice can be remedied, the most elementary principles of equity dictate that every available device to rectify the wrong be exercised to minimize the injury inflicted in a groundless patent suit.

The Public Interest Can Be Vindicated Only By Restoring to Petitioner the Expenses Forced Upon It By the Wrongful Acts of Respondent.

In the patent misuse cases denial of equitable relief has formed a convenient device, long familiar to courts of equity, to penalize misconduct of patentees. Here that denial is not enough, for it was the fact of the litigation, not its outcome, that was intended to (and almost did) accomplish the ends sought.

In the present case Petitioner, by a narrow margin, has prevailed in its fight to compete. Had Respondent been successful in exhausting Petitioner's resources before the last appeal, there would never be a determination of the proper scope of Respondent's patent and no opportunity to reach this Court for redress.

We can not know how many business organizations have been eliminated from the competitive struggle or deprived of the vigor necessary to compete against established enterprises by assertion of invalid or non-infringed patents against them. We do know that the practice has been followed. The public interest demands that it, like other abuses of the patent monopoly, be stamped out, a step that can only be taken by forcing upon errant patentees the damages that their misdeeds occasion.

Congress has recognized the necessity of giving monetary relief to the victim of an unjustified patent suit, for the law now declares that:

> "• • • the court may in its discretion award reasonable attorney's fees to the prevailing party upon the entry of judgment on any patent case." (Section 4921, R. S., 35 U. S. C. 70, as amended August 1, 1946).

The Court of Appeals in the present case considered itself limited by the discretion vested in the District Court. Its emphasis on that discretion was so great that it failed to perceive that the abuse here is so wanton and contrary to the public interest that the exercise of judicial discretion in the light of public interest can lead to but one result, namely, an award to Petitioner of its expenses.

This is not a case where a patentee simply erred in evaluating the scope of its patent. This is not a case where the *prima facie* validity of the grant justified the assertion made by Respondent. Here the patent was given two interpretations, one for purposes of initial decision and the other for purposes of the accounting. Final decision as to the latter was successfully postponed for five years while Petitioner's resources were drained. The purpose displayed is similar to that of the patent misuse cases. Here, as there, the practice should be struck down and the public interest vindicated.

Petitioner submits that where, as here, the record displays a manifest abuse of Letters Patent and the judicial process in an effort to neutralize a competitor by sheer financial strength, judicial discretion can be exercised only in a manner to protect the public interest.

CONCLUSION.

The present petition presents a question of public importance not heretofore passed upon by this Court. The decisions below prejudice the public interest touching this question by encouraging its disregard by litigants.

Petitioner prays that the petition for writ of certiorari be granted and that the decree of the Court of Appeals for the Seventh Circuit be reversed.

Respectfully submitted,

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Attorneys for Defendant.

August 26, 1949.

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Reply Brief of Paper Container Mfg. Company on Petition for a Writ of Certiorari to the Court of Appeals for the Seventh Circuit.

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Reply Brief of Paper Container Mfg. Company on Petition for a Writ of Certiorari to the Court of Appeals for the Seventh Circuit.

The present petition is founded on an abuse of Letters Patent not heretofore considered by this Court. This abuse took the form of an indiscriminate assertion of many patents against Petitioner, followed by a prolonged five-year accounting wherein Petitioner was subjected to excessive expenses incident to Respondent's effort to assert a new construction, ultimately held to be unsound, of its single enforceable patent, a construction irreconcilable with Respondent's earlier representation to the Patent Office and the courts (Petition p. 2 et seq.).

This misuse of the patent monopoly is no less reprehensible than the misuses condemned by this Court in the prior patent misuse cases. Its operation is more insidious, for the wrongfully accused competitor, under the decisions below, is faced with the prospect of an unavoidable staggering economic loss whether he prevails in the fight to compete or loses. The merit of his case is immaterial. Its ultimate disposition in his favor is little consolation and affords no redress.

Respondent cites the traditional cases relative to appeals from awards of costs (Br. p. 7). Where in these cases is found any consideration of the public interest charged to a patent owner, the violation of which forms the basis of this petition?

The numerous lower court decisions cited to display judicial reluctance to award attorney fees (p. 8) in no way involve the public interest here associated with the assertion of patent rights inconsistent with the positions previously taken before the Patent Office in procuring the patent and the courts in seeking its enforcement.

Section 4921 R. S., 35 U. S. C. 70, assures to litigants in patent cases the discretion of the trial judge in awarding attorney fees. Certainly the doors of this Court are open where the public interest is prejudiced by failure to exercise the discretion thus granted.

Respondent makes much of the award of treble damages for infringement of the single patent ultimately left in the case (Br. p. 5). This does not absolve Respondent from responsibility for its conduct in seeking its remedy in a manner wholly violative of the public interest. The mere fact that some conduct of Petitioner transgressed Respondent's patent monopoly does not license indiscriminate charges designed to preclude competition in other

activities by exhausting Petitioner's resources. The temptation to abuse patent rights by indiscriminate charges of infringement, and the effect of these unjust charges on the public interest, is greatest when there is a color of right in the patentee to seek judicial redress such as where a patent has been held valid and infringed. It is here that the courts must protect the public interest most jealously to prevent expansion of the initial decision to encompass subject matter never intended to be covered, or covert assertions of non-existent rights.

With respect to Petitioner's conduct, the Court of Appeals had this to say:

> "* * * We think that defendant has paid the penalty for the transgressions of Hulseman, and we see no reason why his misconduct should permeate and give color, as it apparently has, to the numerous questions raised in the instant proceeding. In this connection, we are also of the view that plaintiff's conduct is not free from criticism. The institution of a suit charging the infringement of fourteen patents with their innumerable claims, ten of which are withdrawn before trial, as was done here, would seem to indicate not only a state of uncertainty and confusion as to what rights were sought to be enforced, but raises a question as to whether the suit was commenced in good faith or for the purpose of harassment." (169 F. (2d) 645, 652)

Respondent, at p. 10 cites a group of decisions where additional machines were brought into accounting proceedings. None of these decisions are pertinent here for none involved the issue of malevolent and inconsistent assertion of patent rights contrary to prior positions taken before the Patent Office and the courts. Moreover, none involved any question of restoring to the accused any of the unnecessary expenses occasioned by a wrongful and inconsistent charge of infringement.

The five cases cited by Respondent purporting to illustrate introduction of new machines in accounting proceedings emphasize the extent of the public interest here involved. Only three of these decisions are less than twenty-five years old and two of these three are closely associated with abuses of the patent system. The first, *Hartford-Empire Co.* v. *Obear-Nester Glass Co.*, 95 F. (2d) 414 (C. A. 8, 1938) (cited by Respondent as *Hartford-Engine Co.* v. *Obear-Nestor Glass Co.*), involved the Hartford-Empire Company, an organization notorious for its abuse of patents (*Hartford-Empire Co.* v. *United States*, 323 U. S. 386, 1944). The other case, *A. B. Dick* v. *Marr*, 155 F. (2d) 923 (C. A. 2, 1946), has been remanded by this Court for consideration of whether prosecution of the case involves fraud on the courts (329 U. S. 680, 1946).

Respondent's effort to bring up the five-year accounting record, is typical of the expense-creating demands made throughout this litigation (Br. p. 11). The accounting record exceeds 5,000 pages, excluding exhibits and formal papers (Rec. 29). To print this record with the attendant exhibits would require many thousands of dollars with the incident further prejudice of Petitioner's ability to compete.

The accounting appeal is No. 9558 before the Court of Appeals for the Seventh Circuit. This petition is based on appeal No. 9782. Respondent points to no rule of this Court requiring that the record in one appeal must be printed to support a petition for certiorari on another appeal.

Respondent makes much of the refusal of the District Court to consider the infringement question before the accounting, implying that Petitioner was responsible for,

or at least approved, this action (p. 12). The fact is that Petitioner sought an adjudication of the infringement question by timely petition for a declaration of non-infringement (Rec. 24, 88). Respondent replied to that petition by motion to punish for contempt, asserting that Petitioner could not raise the question of infringement (Rec. 24, 88-89).

Moreover, counsel for Respondent has already declared that Petitioner opposed the procedure finally followed "with all its might" when the matter came up in 1943 (Rec. 51).

The consequences of the ill-advised reference display vividly how failure of a patentee to observe the trust imposed upon it by the possession of patents results in placing the judicial imprimatur on a reprehensible and improper practice. Following the unnecessary reference, the District Court could make no decision adverse to the Respondent without tacitly admitting error. It was in this atmosphere that the District Court held the Smith and Bild patent infringed by innocent machines, a decision later reversed on appeal. Likewise the action of the District Court in making the reference was emphasized on the issue of fees, again leading to a decision unfavorable to Petitioner (Rec. 51).

When the fees question reached the Court of Appeals the action of the District Court in making the original reference was again relied on to support the Respondent's position (Brief for Plaintiff-Appellee, Appeal No. 9782, p. 28). This argument of Respondent had its effect, for the Court of Appeals declared with respect to the second reference:

> "* * * Obviously, the court might * * * have determined preliminarily to the accounting, whether the

> two machines which had been brought into the case after entry of the decree infringed. However, the court, presumably because of the multiplicity and volume of litigation arising in the District Court in a great metropolis and the consequent pressure upon the court, thought that the most practical procedure was to let the Master hear the entire matter on the accounting * * *." (174 F. (2d) 834, 835).

The error below resides in a failure to impose on the patentee itself a standard of discretion commensurate with the economic power it wields. Unless this standard is required, patentees may in the future maneuver competitors, and even the courts, into situations where they can act only in a manner contrary to the public interest. If patents are to be confined to the constitutional purpose of promoting "the progress of science and useful arts" (U. S. Const., Art. I, Sec. 8) it is essential that this Court unequivocally define this standard and demand that patentees adhere to it.

The public interest more than Petitioner's cause requires that the petition be granted and that the decree of the Court of Appeals for the Seventh Circuit be reversed.

Respectfully submitted,

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September 30, 1949.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1949.

No. 304

PAPER CONTAINER MFG. COMPANY,
Petitioner,

vs.

DIXIE CUP COMPANY,
Respondent.

BRIEF OPPOSING PETITION FOR CERTIORARI.

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BRIEF OPPOSING PETITION FOR CERTIORARI.

After two appeals of this case, the District Court entered its final judgment which contained the following determination of costs and attorney fees (Rec. 68):

> "14. That, except as hereinbefore provided [having allowed to petitioner $902.65 costs of prior appeals], the respective parties shall bear, without recovery from the other, all such sums as they may have expended or become liable for for attorneys' fees, master's fees, court reporters' fees, or other costs and expenses of litigation."

Petitioner appealed again, *solely* from that determination of costs and attorney fees. Every other provision of the final judgment had been finally adjudicated in prior appeals. The Court of Appeals affirmed the District Court's determination of costs and attorney fees, 174 F. (2d) 834 (Rec. 88-93).

The petitioner now asks the Supreme Court to review the Court of Appeals' review of the District Court's determination of costs and attorney fees.

It is not claimed that the District Court in making that determination or the Court of Appeals in its review thereof misconceived or misapplied any principle of law. Indeed, the law respecting costs including attorney fees was stated by the Court of Appeals in 169 F. (2d) 645 as petitioner has contended, and was so applied by the District Court in its final judgment and was so applied by the Court of Appeals in reviewing the District Court's determination. The petition merely argues facts and asks the Supreme Court to re-determine the costs and attorney fees.

Even if the Supreme Court were to consider hearing such a re-argument of the facts, the petitioner has brought to this Court only a short record and has left in the Court of Appeals the full record of facts upon which the judgments of the District Court and of the Court of Appeals were based. The petitioner not only asks the Supreme Court upon a printed record to review, solely upon the facts, a District Court's determination of costs and attorney fees[1] already reviewed and affirmed by the Court of Appeals; the petitioner does not even supply the full fact record to be reviewed.

---

1. Attorney fees, when allowable, have been held to constitute costs. *Sprague* v. *Ticonic Bank*, 307 U. S. 161, 164; *Official Aviation Guide Co.* v. *American Av. Assoc.*, 162 F. (2d) 541, 543 (CA-7); *Sales Affiliates* v. *National Mineral Co.*, 172 F. (2d) 608, 613 (CA-7).

Going back even to the days of direct appeals to this court it has never been the practice of the Supreme Court to entertain appeals merely from allowance or denial of costs. *Elastic Fabrics Co.* v. *Smith*, 100 U. S. 110, 112; *Wood* v. *Weimar*, 104 U. S. 786, 792; *Trustees* v. *Greenough*, 105 U. S. 527, 537; *Stuart* v. *Boulware*, 133 U. S. 78, 82; *Burns* v. *Rosenstein*, 135 U. S. 449, 456; *City Bank* v. *Hunter*, 152 U. S. 512, 516; *DuBois* v. *Kirk*, 158 U. S. 58, 67; *Wingert* v. *First National Bank*, 223 U. S. 670, 672; *Newton* v. *Consolidated Gas Co.*, 265 U. S. 78, 83.

Summary of the Litigation.

43 F. Supp. 518. The District Court found infringement of seven claims of the Smith and Bild patent, of five claims of the Barbieri patent, of ten claims of the Amberg patent, and of two claims of the Holman patent.

The court's statement of the circumstances surrounding the Smith and Bild patent and its infringement tended to indicate infringement of a wilful and flagrant character.

130 F. (2d) 569. The Court of Appeals affirmed all findings respecting the Smith & Bild patent but did not sustain the findings respecting the other patents.

317 U. S. 686, 713. Apparently because the probability of future trebling of damages was indicated, the present petitioner then filed in this court a petition for certiorari. It was denied. A petition for re-hearing was filed. It was denied.

Upon that petition for certiorari, the complete record to that date was presented to the Supreme Court.

Judgment of the District Court upon the accounting and the record upon the accounting. Except as appears in 169 F. (2d) 645, in 174 F. (2d) 834, and in the argument before the District Court upon costs and attorney fees, there is presently before this court no record of the District Court judgment then entered upon the accounting and no record of the accounting. It is primarily upon that missing record that the petitioner attempts to base its argument.

169 F. (2d) 645. After the accounting, the District Court had entered judgment against the petitioner for damages (trebled) of $2,096,062.23, for attorney fees of $71,163.50 and for other costs of $3,141.61. In addition to the machines held to infringe during the period prior to the institution of suit, the District Court had held that

subsequent changes in machines had not removed the infringement. The accounting for all the machines had shown huge profits by the petitioner.

Upon the doctrine of file wrapper estoppel, the Court of Appeals reversed the judgment of the District Court, so far only as the District Court had held the new machines to infringe. The accounting was to be limited to the old machines.

In that opinion, the Court of Appeals stated the law applicable to costs and attorney fees as follows (651):

> "Plaintiff was awarded attorney fees in the amount of $71,163.50. Defendant's claim for attorney fees in the amount of $70,000 was denied.[1] Each of the parties claimed attorney fees on the theory that it was the prevailing party in the litigation. Title 35 U. S. C. A. Sec. 70 provides: 'The court may in its discretion award reasonable attorney's fees to the prevailing party upon the entry of judgment on any patent case.' Here again, we must recognize the rule that the apportionment of costs and the allowance of attorney fees is a matter largely in the discretion of the lower court. *General Tire and Rubber Co.* v. *Fisk Rubber Corp.*, 6 Cir., 104 F. 2d 740, 748; *Perrine, et al.* v. *Burdick, et al.*, 8 Cir., 138 F. 2d 861, 866. Our chief difficulty in determining whether there has been an abuse of discretion arises from the fact that the record is silent as to the basis upon which the Master recommended attorney fees for the plaintiff and denied such fees to the defendant. It appears, however, that it was on the theory that plaintiff was the prevailing and defendant the losing party. If so, we think this was an erroneous premise. * * *
>
> "Whether either party is entitled to an award of attorney fees under the circumstances of the case we express no opinion."

Final judgment of the District Court (Rec. 67-9). Re-

1. There is no explanation how that claim of $70,000 has now grown to $200,000 (petition page 1).

specting costs and attorney fees, the District Court rescinded its previous allowance to respondent of attorney fees of $71,163.50 and of other costs amounting to $3,141.61 and inserted in the judgment the paragraph 14 (quoted at the beginning of this answer) which awarded attorney fees and costs to *neither* party (with the exception stated in that paragraph 14).

174 F. (2d) 834. Upon appeal, the Court of Appeals affirmed the District Court's determination of costs and attorney fees.

The Petitioner Was Found to Be a Wilful Infringer.

The petition for certiorari wholly omits to state a very significant fact. The final judgment found the petitioner to be a wilful infringer. That finding is not challenged. It cannot be challenged at this stage of litigation. We quote from the final judgment of the District Court (Rec. 67-8):

> "7. That the Defendant and its alter ego, Leo J. Hulseman, after misappropriating the invention of the Smith and Bild patent while the application therefor was pending and was secret, tried to misappropriate the patent monopoly therefor and toward that end did, on August 12, 1938, file an application for United States Letters Patent, in which application they sought the allowance of claims to dominate the invention of the then pending Smith and Bild application for patent; and in connection therewith, Leo J. Hulseman falsely swore that he believed himself to be the first and original inventor of said invention and that the same was not in public use or on sale before his alleged invention, or more than two years before his said application was filed.
>
> "8. That the Defendant and its alter ego, Leo J. Hulseman, wrongfully and deliberately appropriated the invention defined in claims 9, 10, 23, and 24 of the Smith and Bild patent in suit some time in April, 1936, over four years before the Smith and Bild patent

No. 2,203,510 issued, and while the application therefor was pending and was secret.

"9. That under the circumstances of this case the general damages, as found, should be trebled, and the damages assessed herein are hereby increased three times their amount and the Plaintiff is entitled to recover the same.

"10. That the general damages caused to plaintiff by defendant's aforesaid infringement is the sum of $51,342.39.

* * * * *

"12. That three times the general damages, in the sum of $51,342.39 is the sum of $154,027.17, and, accordingly, the plaintiff is entitled to recover from the defendant said sum of $154,027.17, less the aforesaid sum of $902.65, or the net sum of $153,124.52."

The petitioner presents no decision in which a court has held an infringement to be wilful and accordingly has trebled the damages, and in which the court at the same time saw fit to reward the wilful infringer by requiring the injured party to pay the wilful infringer's attorney fees. If a chancellor were disposed to lessen the financial burden suffered by a wilful infringer as a result of his infringement, the chancellor would normally charge the infringer only with the damages, without trebling them, before he would give any consideration to requiring the injured party to pay the wilful infringer's attorney fees.

The Applicable Law.

The Act of August 1, 1946 (35 U. S. C. 70):

"* * * upon a judgment being rendered in any case for an infringement the complainant shall be entitled to recover general damages * * * together with such costs, and interest, as may be fixed by the court. The court *may in its discretion* award reasonable attorney's fees to the prevailing party upon the entry of judgment on any patent case." (Italics ours.)

Senate Report, March 5, 1946, 79th Congress, 2nd Session:

> "* * * The provision relating to attorney's fees is made discretionary with the court. It is not contemplated that the recovery of attorney's fees will become an ordinary thing in patent suits * * *."

We referred above to the opinion of the Court of Appeals, 169 F. (2d) 645, which quoted, " 'The court may in its discretion award reasonable attorney's fees to the prevailing party upon the entry of judgment in any patent case,' " and added, "Here, again, we must recognize the rule that the apportionment of costs and the allowance of attorney fees is a matter largely in the discretion of the lower court."

The later opinion of the same court, 174 F. (2d) 834, 837 expressed it as follows:

> "Our decision as to the proper scope of our power of review in this respect is, we think, in line with those in other cases * * *. We believe that to justify a finding of abuse of discretion it is necessary to show that the order complained of was based upon an erroneous conception of the law or was due to the caprice of the presiding judge or to action on his part arbitrary in character. We find no such circumstances here."

This court in *Newton* v. *Consolidated Gas Co.*, 265 U. S. 78, 83, clearly stated the reason for reluctance to review findings upon costs:

> "The rule forbidding appeals from decrees for costs only is easily deducible from the discretion vested in the trial court in fixing them and the better opportunity of that court to exercise that discretion from its greater intimacy with details of the pleadings, hearings, and orders in the case. When the power of the court to assess costs against either party is not in dispute, or the mere amount to be fixed is in issue, appeals on such questions alone are not allowed."

Other cases regarding review of determination of costs,

including attorney fees, are: *Sales Affiliates* v. *National Mineral Co.*, 172 F. (2d) 608, 613 (CA-7); *Blanc* v. *Spartan Tool Co.*, 168 F. (2d) 296, 300 (CA-7); *In re 32-36 North State St. Building Corp.*, 164 F. (2d) 205, 207 (CA-7); *In re Mt. Forest Fur Farms*, 157 F. (2d) 640, 649 (CA-6); *Gochenour* v. *Cleveland Terminals Building Co.*, 142 F. (2d) 991, 995 (CA-6); *In re Seville Court Apartments Buildings Corp.*, 134 F. (2d) 232, 233 (CA-7); *Lackner* v. *Illinois Bell Telephone Co.*, 111 F. (2d) 136, 139 (CA-7); *In re Herz*, 81 F. (2d) 511, 512 (CA-7).

Even a clearly prevailing party has been fairly denied attorney fees in a case which was hard, close, and fought in good faith (*Official Aviation Guide Co.* v. *American Av. Assoc.*, 162 F. (2d) 541, 543 (CA-7), and in a case in which the controlling principle of law was new and not generally recognized (*Lincoln Electric Co.* v. *Linde Air Products Co.*, 74 F. Supp. 293, 294), and in a case in which the award asked by the defendant was contrary to established practice (*National Brass Co.* v. *Michigan Hardware Co.*, 75 F. Supp. 140, 141), and in a case which involved an unnecessary amount of "feuding" (*Jerome* v. *Twentieth Century-Fox*, 71 F. Supp. 914, 915). There is scarcely any field in the law in which so many factors of equity and common sense (*Marks* v. *Leo Feist, Inc.*, 3 F. (2d) 460, 461 (CA-2)) may properly enter as in the determination of allowance of attorney fees. Peculiarly is the allowance of attorney fees within the discretion of the judge who has presided over the case.

The vesting of discretion in the trial court for the allowance of fees and other costs is not new in the Act of August 1, 1946. Such has always been the rule.

In the present case, the final judgment now complained of rescinded $71,163.50, attorney fees previously allowed to the respondent, and made allowances to *neither* party. The respondent was the ultimately prevailing party, who

recovered $153,124.52. Assuming that to some extent in the litigation the petitioner was also a prevailing party (petitioner so argued and the Court of Appeals so held), nevertheless the petitioner was a wilful infringer and except for the wilful infringement the litigation would never have occurred. Under such circumstances, it was certainly fair, at least to the petitioner, that there be no allowances to either party. The Court of Appeals, reviewing the record *for the third time,* affirmed the District Court.

Petitioner's Points.

(1) The petitioner charges abuse of process because the infringement suit was filed upon "fourteen patents" whereas the petition recites (page 3) "before trial, charges were voluntarily dropped as to all but four patents and twenty-six claims."

A more precise statement of the facts is as follows: suit was filed February 11, 1939 (Prior Rec. 2)[1]; a bill of particulars was ordered March 6, 1939 (Prior Rec. 5); after contests over discovery, respondent obtained inspection in the fall of 1939 (Prior Rec. 23); thereafter respondent withdrew several claims and added three patents; later in 1940, in order to simplify the issues and because of the early expiration of certain patents, plaintiff withdrew six patents and various claims (Prior Rec. 99). So the suit remained. Not until October 24, 1941 did the case go to trial (Prior Rec. 100). The result of the trial was 43 F. Supp. 518.

The facts do not support the conclusion that in pursuing the infringer whose infringement was wilful and flagrant the injured party abused judicial process. Such was not the conception of the District judge who presided at the many hearings of this case in his court. Such was not the

1. The reference is to the prior record before this Court, 317 U. S. 686, 713.

conception of the Court of Appeals, which in passing upon this argument said at 174 F. (2d) 834, 836, Rec. 90:

> "This court has previously held that plaintiff had a valid patent; that defendant had infringed; that the circumstances of that infringement were such as to aggravate the tort, and that, as a result, plaintiff was entitled to recover treble damages as provided by statute. It is urged that plaintiff presented an unreasonable number of patents and claims in its original complaint, thus imposing unnecessary labor upon defendant's counsel; but most of these were eliminated by the bill of particulars, and not an unprecedented number of patents, when we consider patent litigation in its general aspects, was involved in the trial. At any rate, we think that these facts were proper to be considered by the District Court and that refusal of the court to decide because of them justifies no finding of abuse of discretion. All but four claims of one patent were eventually eliminated but these were held valid and their infringement of such character as to make of defendant's tort an aggravated offense."

(2) The petitioner complains that when, after 130 F. (2d) 569, the case was referred to the master for an accounting, the respondent then claimed that machines not previously involved in the litigation also infringed.

It can scarcely be seriously argued that the petitioner was free to avoid the injunction at will by colorable change in its machines. If such be the contention, we refer to the following decisions in which, precisely as in this case, the new machines were brought into the suit with respect to which the accounting was proceeding. *Metzger & Co.* v. *Barber, et al.*, 194 Fed. 426 (CA-2); *Flat Slab Patents Co.* v. *Turner*, 285 Fed. 257 (CA-8); *Hartford Engine Co.* v. *Obear-Nestor Glass Co.*, 95 F. (2d) 414 (CA-8); *A. B. Dick Co.* v. *Marr*, 48 F. Supp. 775 (S. D., N. Y.), 155 F. (2d) 923 (CA-2); *Fauber* v. *United States*, 81 F. Supp. 218 (Ct. Cl.), certiorari denied, 69 S. C. 1048, 93 L. Ed. 897.

Indeed, *Metzger & Co.* v. *Barber, et al.*, 194 Fed. 426 (CA-2) and *Hartford Engine Co.* v. *Obear-Nestor Glass Co.*, 95 F. (2d) 414 (CA-8) each approve the initial procedure adopted by respondent to bring in the new machines and to determine the issue of infringement, to-wit, to cite for contempt.

(3) The petitioner flamboyantly asserts (page 16):

> "The present case displays clearly the adverse effect on competition incident to misuse of the judicial process * * *. When the scope of the patent was finally defined in the first Court of Appeals decision, Respondent changed its tactics and insisted on a new patent infringement charge. * * * ultimately forced Petitioner to go through a complete accounting before its defense of no infringement * * * was vindicated * * *."

Those assertions relate to the record which is not here in its entirety.

The Court of Appeals, however, had the full record before it and in 174 F. (2d) 834, at 835, stated:

> "Subsequently, before the Master to whom the District Court referred the matter, plaintiff sought to include in its recovery damages for alleged infringement by two later machines manufactured by defendant, asserting that it had only recently discovered the newly alleged infringing devices. Thereupon defendant applied to the District Court for a declaratory judgment adjudging that its additional machines did not infringe and asked the court so to decide before continuing with the accounting. Plaintiff objected, but at the same time likewise endeavored to obtain a decision as to whether the new machines which plaintiff had complained infringed, before the Master proceeded, by a motion that defendant be declared in contempt of the existing judgment declaring it an infringer. Obviously, the court might, by either of these methods, have determined preliminarily to the account-

ing, whether the two machines which had been brought into the case after entry of the decree infringed.[1] However, the court, presumably because of the multiplicity and volume of litigation arising in the District Court in a great metropolis and the consequent pressure upon the court, thought that the most practical procedure was to let the Master hear the entire matter on the accounting each party reserving, of course, its contentions as to infringement or non-infringement by these two machines, until final hearing on the merits."

We quote also from the petition, page 4:

"The matters of the petition and motion came before the District Court on April 21, 1943. He referred the entire matter to the master."

We note, particularly, that there is not even a claim by the petitioner that it objected to the reference.

We quote from our Court of Appeals brief, page 25:

"The defendant made no objection to the reference of the issue to the Master. It is difficult to conceive upon what theory the defendant, who had no objection then, can plausibly now complain of that reference. *Coyner* v. *U. S.*, 103 F. (2d) 629 (CA-7) * * *

"We may merely speculate as to the reason why the defendant did not insist upon immediate adjudication of the issue of infringement at that time. However, it is a fair surmise that the defendant was not too sure of distinction between the machines and wished much more preparation and wished the record first to

1. At page 4 of the petition, we find the following statement: "In the motion to punish, Respondent asserted that Petitioner could not contest the question of infringement (Rec. 24, 88-89)."

Examining Rec. 24 it will be found that there is nothing whatever to support the statement. As to Rec. 88-89, the reference is to the same quotation of the Court of Appeals opinion from which we quote, and the opinion contains nothing whatever to support the statement. Obviously, a petition to cite for contempt raised the issue of infringement. *Metzger & Co.* v. *Barber, et al.*, 194 Fed. 426 (CA-2); *Hartford Engine Co.* v. *Obear-Nestor Glass Co.*, 95 F. (2d) 414 (CA-8).

contain the 750 pages (T. R. 1030-1780)[2] of testimony of its expert witness who was not in fact produced for a considerable period of time."

Indeed, the Master did actually pass upon the issue of infringement first, as clearly appears from the petition, page 4:

> "On November 27, 1944, the master filed a draft report. In this report he recommended an injunction and an order of accounting with respect to the additional machines. However, he did not propose to proceed with an accounting as to these machines until the matter of infringement was settled by the District Court."

The short record shows that the District Court on January 15, 1945 made the following statement respecting the procedure upon the two later machines (Rec. 51):

> "I don't want it coming up piecemeal. I want the whole matter to come up. For instance, if somebody contends that a certain machine is covered by the patent and the other side contends it is not, we will take the accounting on the basis that it is and the accounting on the basis that it is not, and then the whole thing will be before me and will be before any reviewing court. I want all the questions decided and with a report covering the whole thing, and I want that with all convenient speed. I don't want the case coming up in piecemeal."

The petitioner assumes, without demonstrating, that that order then entered by the District Court was erroneous. The case cited by the petitioner does not involve facts at all comparable. The District Court had previously conducted a long hearing upon the issue of infringement, 43 F. Supp. 518, which had been reviewed by the Court of Appeals, 130 F. (2d) 569. If the Court's desire to avoid further piecemeal hearings was deemed to impose hardship upon either party the party should have said so.

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2. The reference is to the missing record.

The petitioner *now* charges, as we read its petition, that the respondent "abused judicial process," and engaged in "indiscreet and malevolent assertion of patent rights," etc., etc., by proceeding under that order. If any part of petitioner's extravagant language were justified, we wonder why the petitioner did not make some effort at the time to rectify the situation, or if it were unable to do so why it did not seek a writ of mandamus, for it certainly has shown no reluctance to litigate until the final bell rings.

We have always assumed that one was not subject to a suit for malicious prosecution or to a charge of pursuit of groundless action or to a charge of malevolent conduct when he followed, or was supported by, an order or judgment of the United States District Court duly entered after notice and hearing. Throughout its petition, the petitioner wholly fails to make any distinction between an action or complaint unsupported by judicial finding and judgment and an action or complaint supported by such judicial finding and judgment.

Who is to blame for expense and trouble caused by an error of the District Court or by a failure of the Court of Appeals and the District Court to agree, however one may express it? Since the date of the *Squib* case, we would assume that the infringer, whose wilful and flagrant infringement made the litigation unavoidable has the real responsibility.

(4) The petition at page 16 and elsewhere contains the assertion that "respondent knew of the newly accused machines before the first trial." There is, of course, no record reference, and we are at a loss to comprehend why such an unsupported statement should be made, when as a result of the briefs in the Court of Appeals (in which we devoted several pages to petitioner's charge) it is well known that respondent's answer is a categorical denial.

We also note upon page 11 and elsewhere in the petition the unspecified and thinly-veiled charge of fraud, the quoted language being "* * * a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud."

With reference to such assertions, thus unfairly made in the absence of any record, we can only deny categorically and refer to the fact that neither the District Court nor the Court of Appeals so found.

(5) As a further phase of the same argument, the petitioner at page 9 and elsewhere complains that the Master compelled it to itemize certain schedules of sales and purchases. Again there is no record reference, for there is no record, and there is not even a suggestion that any objection thereto was made to the Court.

It is obvious that at that time the respondent was entitled to recover profits. In computing profits, the respondent was entitled to reject all sales made at a loss. *Duplate Corp.* v. *Triplex Co.*, 298 U. S. 448, 458. In order to reject sales made at a loss, a detailed statement of sales was relevant. The reason therefor was stated at Rec. 53.

The trial lawyer who spoke for the petitioner in the accounting died several years ago, as did the trial lawyer who spoke for the respondent in the accounting (Rec. 24). Particularly when brief-writing lawyers get into dispute about a record of that accounting not even brought to this court, we suggest that the most authoritative sources of information are, first, the District Court before whom it all transpired, and, second, the Court of Appeals which painstakingly has reviewed the case *three times.*

Accordingly, we quote what the Court of Appeals says about petitioner's arguments to which we have just referred, Rec. 91, 174 F. (2d) 834, 837:

> "A zealously contested question, presented by able counsel on both sides, is whether the action of plain-

tiff in bringing before the Master in the accounting, new machines manufactured by defendant which it alleged and which the court found likewise infringed the four claims previously sustained and the expensive accounting necessitated by such injection, required an allowance to defendant. Defendant points with emphasis to the fact that this court reversed a very substantial judgment granted plaintiff in the District Court in that regard. But, as we have suggested, plaintiff did contend before the Master and the District Court that these two machines infringed. The Master so found. The District Court agreed, and this court reversed because it held that the defense of estoppel of plaintiff to assert infringement was a complete answer to the charge. In view of the fact that both the Master and the court found infringement, we hardly believe the circumstance that plaintiff brought in to the case something which we later held could not be considered because of estoppel, is sufficient to impeach the good faith of plaintiff in prosecuting its accounting before the Master or that this circumstance was sufficient in itself to impose upon the District Court, in the exercise of its discretion, a duty to allow to defendant counsel fees and costs because of the injection of that additional feature into the accounting. There are assertions of unfair tactics upon the part of each of the litigants, and it may be true that the accounting could have been much more speedily and economically disposed of had a different method been employed to settle the question of infringement by the additional machines brought in, but, again, the procedure followed by the District Court was, we think, within its sound discretion. Undoubtedly defendant incurred tremendous expense in preparing its figures as to these additional machines and a great amount of time and money was expended over a period of five years in completing the entire accounting, and, in the end, defendant prevailed, as to these two machines. On the other hand, plaintiff prevailed upon its original judgment as to machines involved in the original trial. After review

of the precedents and consideration of the facts, it is our conclusion that we are not justified, under the particular facts and circumstances of this case, in saying that the District Court, endowed with nine years' familiarity with the case, the evidence, the litigants and the witnesses, abused its discretion when it decided that neither party was entitled to recover attorneys' fees and costs."

In conclusion, we respectfully submit:

1. That, under all the circumstances, the disallowance of costs and of attorney fees to either side was fair; at least, it was entirely fair to the wilful infringer.

2. That no valid reason whatever is suggested for the Supreme Court to review the taxing of costs which was properly performed by the District Court and which has already been reviewed by the Court of Appeals. There was no abuse of discretion.

The litigation should finally now be terminated.

Respectfully submitted,

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DENIED